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C O N F I D E N T I A L SECTION 01 OF 02 KYIV 002517

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SUBJECT: UKRAINE: YUSHCHENKO CALLS FOR PARTIES TO BEGIN COALITION TALKS

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Classified By: Ambassador for reasons 1.4(b,d).

¶1. (C) Summary. With less than one half of one percent of the vote still uncounted, the political parties are starting to slowly extend feelers on various coalition formations. President Yushchenko made the biggest stir of the day by holding a press conference in which he called on all the parties that appear to be headed for the Rada, especially Party of Regions, BYuT, and Our Ukraine-People's Self Defense, to begin coalition negotiations. Yanukovych's team and the press have interpreted this as a possible call for a broad coalition, but Tymoshenko and OU-PSD leaders Kyrylenko and Lutsenko came out quickly to say that the President did not call for a broad coalition. We think it was more of a presidential attempt to reach out to all sides, but there is definitely ongoing discussion within the Presidential Administration about how quickly Yushchenko should reach out to embrace an orange government. Meanwhile, a debate is also continuing within Regions as to whether they can still challenge the outcome of the elections or should move forward with events as they happen. End summary.

The Numbers: 99 Percent Counted

¶2. (SBU) All the major political parties continue to watch the CEC reports of the preliminary results. Counting continues slowly, but only eight district election commissions (DEC) are still in the process of reporting, with just two DECs -- in Simferopol in Crimea, and Odessa -- still under 90 percent reported. With 99.73 percent of the preliminary vote counted, Regions has 34.31 percent, BYuT with 30.76 percent, Our Ukraine-People's Self-Defense with 14.16 percent, Lytvyn People's Party with 3.96 percent, the Communists with 5.38 percent and the Socialists, under the threshold with 2.86 percent. This would potentially give an orange BYuT/OU-PSD coalition 228 seats in the new Rada -- two more than the 226 needed to form a coalition.

¶3. (C) By our count, the 0.28 percent of the vote still outstanding equals about 63,000 votes. Even if all these votes went to Regions, this could only increase Regions' percentage by about 0.01 percent which would not change the numbers. And if they all went to the Socialists, this would also not get the Socialists over the 3 percent threshold. The CEC had earlier predicted that counting would be completed October 3, but it is unclear when the final numbers will actually be posted. The three major parties have continued to delay taking any major public steps in the direction of coalition-building or criticizing the conduct of the elections pending the complete reporting of the preliminary results. The Socialists and Communists have been alleging massive fraud in the elections and are threatening a

range of possible legal actions.

Yushchenko Coalition Talks Should Begin

¶4. (SBU) The only news of the day came from President Yushchenko who made an October 3 public statement in which he said that international observers have concluded that the elections, for the most part, met international standards and called on the three main parties -- Regions, BYuT, and OU-PSD as well as the other victors -- to begin coalition negotiations. He said that all the parties that made it into the Rada should show political wisdom and work to unite the country. Yushchenko also noted that the "political forces in the newly elected parliament must formulate a model of cooperation between the government and opposition on the basis of their common agenda." He then laid out his top priorities for the new government: adopt a sound economic program; abolish deputy's immunity; draft the 2008 budget taking into account his social payment initiatives; approve an anti-corruption legislative package; ensure energy security; and reform the constitution.

¶5. (C) Yuschenko's statement was quickly interpreted by the press as a possible call for negotiations to form a broad coalition, rather than an appeal for all the parties to begin negotiations on creating a coalition. PM Yanukovych quickly made a pres statement noting that he "backs the position that the president presented in his statement concerning the formation of a coalition at the Verkhovna Rada." A BYuT spokesman, former Rada deputy Andriy Shevchenko, told the press that the President had not called for a broad coalition and denied that Yushchenko was attempting to drag out the process. OU-PSD leaders Kyrylenko and Lutsenko, as well as the party's legal eagle Mykola Onischuk, said that the president's call for a start to talks on creating a broad coalition does not mean that there is a possibility of a

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broad coalition in the parliament. Tymoshenko merely restated her position that there is no chance of a broad coalition with Regions and "in the event of a coalition between Our Ukraine and the Regions party, our political force will be in opposition."

¶6. (C) Comment. In spite of the lack of clarity in Yushchenko's statement, we do not think the President was trying to call for a broad coalition. Instead, his statement seemed to be an attempt to remain neutral and an effort to say very little and be statesman-like by reaching out to all political forces. In fact, he may have meant the three parties should negotiate and decide the question of who would form the coalition and who would be in the opposition, in hopes that the opposition would play a more constructive role in the new Rada. Interestingly, Deputy Head of the Presidential Secretariat Chaliy told the Ambassador about two hours before the press conference (which was delayed for several hours after it was first announced) that Yushchenko planned to use the speech to announce a new orange coalition.

The fact that Yushchenko did not make such an announcement suggests that either the President or his team decided such a statement would be premature. Certainly many here believe that a formal announcement of a coalition should only come after the CEC announces the official final results. Comments from several in OU-PSD and the Presidential Secretariat indicate that if Yushchenko decides to go with an orange coalition, then he is still thinking about how to offer something to Regions in the way of senior positions in order to ease the pain of not being in the government and symbolically unite the country. End comment.

¶7. (SBU) Privately, Yushchenko met separately with Tymoshenko and Lytvyn on October 2, but no results were announced. Tymoshenko and an OU-PSD spokesman said that neither will formally engage in coalition talks until the election results are announced.

Regions Weighs Its Options

¶18. (C) According to a Regions insider, Regions leaders are still divided over what strategy to adopt in response to a potential orange coalition. Some were advocating playing it straight and letting Tymoshenko form the government. Others were still looking for ways to change the outcome of the vote. The party plans to watch the Socialists' court challenges carefully and is considering some of their own to get recounts in major districts.

¶19. (C) Note. Our understanding of the election law says that results can only be challenged in individual PSCs and must be filed within two days of the alleged election violation. This means that Regions has lost its chance to appeal results in most PSCs, which turned in their results promptly on Monday. Regions does, however, still have the option to contest the entire election, which would send the issue to the Higher Administration Court. If they lost that case, they still would have the right to appeal to the Supreme Court, but the Supreme Court is unlikely to hear the case because elections now fall under the jurisdiction of the Administrative Court system. In fact, the head of the international relations department at the Supreme Court told us emphatically on October 3 that she believed there was no role for the Supreme Court in these elections. End note.

¶10. (U) Visit Embassy Kyiv's classified website:

www.state.sgov.gov/p/eur/kiev.

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